



UNIVERSITY OF MARY WASHINGTON

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2014

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

We have audited the basic financial statements of the University of Mary Washington as of and for the year ended June 30, 2014, and issued our report thereon, dated July 17, 2015. Our report, included in the University's Annual Report, is available at the Auditor of Public Accounts' website at www.apa.virginia.gov and at the University's website at www.umw.edu. Our audit found:

- the financial statements are presented fairly, in all material respects;
- internal control findings requiring management's attention; however, we do not consider them to be material weaknesses; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Ensure Capital Outlay Projects are Properly Closed Out

The University is not closing out its capital outlay projects promptly as required by state regulations. As of April 2015, there were six capital outlay projects that the University has not closed out within twelve months of a Certificate of Use and Occupancy (Form CO-13.3) issuance.

The Construction and Professional Services Manual (CPSM), which is published under the authority of Code of Virginia Section 2.2-1132, as amended, requires the University to complete a Project Completion Report using Form CO-14 to officially close out a project within twelve months after the University has occupied the building or the project is substantially complete. Significant delays in closing out capital outlay projects could allow the University to use funds for unnecessary projects and; therefore, promote inefficient use of Commonwealth funds.

The University should follow the CPSM and complete the CO-14 Form promptly upon completion of each capital project. While we recognize that occasionally there may be a reason to delay project close out, we recommend that the University follow best practices and close out projects within twelve months after substantial completion.

Implement Financial Aid Disbursement Notifications

The University did not notify aid recipients of financial aid disbursements during fiscal year 2014. We selected 25 students who received financial aid during fiscal year 2014 and determined that the University did not send notifications of aid disbursements to any of the students.

Code of Federal Regulations 34 CFR Section 668.165(a)(1) indicates that before an institution disburses Title IV, Higher Education Act (HEA) funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loans or the Federal Family Education Loan (FFEL) Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. Additionally, 34 CFR Section 668.165 (3) (i – ii) indicates that if the institution obtains affirmative confirmation for direct loans, it must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account. If the institution does not obtain an affirmative confirmation, the University must provide the notice in writing no earlier than 30 days before and no later than seven days after crediting the student's account.

Not properly notifying aid recipients can lead to noncompliance with federal regulations as well as not providing the appropriate period of time for a student or parent to make an informed decision on whether to accept or reject a loan. The University should design and implement procedures to ensure that students receive notification of financial aid within federally prescribed time periods.

Improve the myVRS Navigator Reconciliation Process

The University lacks evidence of reconciliations between the Commonwealth's Human Resource System (PMIS) and the Virginia Retirement System's myVRS Navigator system (VNAV) to ensure that the creditable compensation in PMIS agrees to the creditable compensation in VNAV. By not maintaining this documentation, we were unable to verify that the University properly completed the reconciliation process.

Researching reconciling items and adjusting VNAV, when necessary, ensures the accuracy of the retirement benefits to which an employee is entitled. Also, beginning in fiscal year 2015, a pension liability will be included in the University's financial statements. Actuaries rely on the data from VNAV to make projections regarding the pension liability that that will be reported by the University.

Payroll Bulletin 2013-02 from the Department of Accounts states that agencies must certify the Contributions Snapshot from VNAV is accurate, as this becomes the official basis for the Retirement System's billing amounts. Careful review of the monthly Contributions Snapshot is critical to the accuracy of the automated reconciliation. Payroll Bulletin 2014-05 states agencies should reconcile the creditable compensation in PMIS to the creditable compensation amount in VNAV each month prior to confirmation.

Without documentation of the required reconciliation to PMIS, management has no assurance that reconciliations are being performed before contribution information is confirmed to the Retirement System. The University should design and enforce policies and procedures to ensure the timeliness and documentation of reconciliations to VNAV.

Improve IT Change Management Program

The University uses inconsistent information technology (IT) change management practices that are lacking some of the minimum controls required by the Commonwealth's Information Security Standard, SEC 501-08 (Security Standard).

The network infrastructure team uses a change management process that is different than the rest of the IT department. This undefined process is lacking documented request approvals, detailed change descriptions, and requirements to update system documentation. Additionally, the University's overall IT change management practices do not require documented change request approvals, a periodic change management review to ensure compliance with policy, or a requirement to update all system documentation after the completion of a system configuration change. The Security Standard, sections CM-3 and CM-2-COV, require that agencies' change management programs include these particular controls.

The absence of these required change management controls increases the risk that the University will face system unavailability, unauthorized system access, and inaccurate information. However, we did not identify any unauthorized changes that resulted in financial misstatement.

While the University's IT leadership holds weekly change management meetings to discuss and approve upcoming changes, there is no clear and documented link between the discussed changes, approved changes, and the eventually implemented changes.

The University should dedicate the necessary resources to improve its IT change management program to include controls that allows the University to easily identify approved and implemented changes. The University should also ensure that its IT change management program applies consistently to all IT departments, including its network infrastructure team.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

July 17, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
University of Mary Washington

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the University of Mary Washington as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated July 17, 2015. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component unit of the University, which was audited by another auditor in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting entitled "Ensure Capital Outlay Projects are Properly Closed Out," "Implement Financial Aid Disbursement Notifications," "Improve the myVRS Navigator Reconciliation Process," and "Improve IT Change Management Program," which are described in the section titled "Internal Control and Compliance Findings and Recommendations," that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the section titled "Internal Control and Compliance Findings and Recommendations," in the findings entitled "Ensure Capital Outlay Projects are Properly Closed Out," "Implement Financial Aid Disbursement Notifications," "Improve the myVRS Navigator Reconciliation Process," and "Improve IT Change Management Program."

The University's Response to Findings

We discussed this report with management at an exit conference held on August 19, 2015. The University's response to the findings identified in our audit is described in the accompanying section titled "University Response." The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDITOR OF PUBLIC ACCOUNTS

JMR/clj



August 6, 2015

Ms. Martha Mavredes
Auditor of Public Accounts
PO Box 1295
Richmond, Virginia 23218

Subject: Management response to the Audit Recommendations for Fiscal Year 2014

Dear Ms. Mavredes,

I am pleased to send you University of Mary Washington's response to the internal control findings and recommendations identified during the audit of the fiscal year ended June 30, 2014. Management's responses are as follows:

Ensure Capital Outlay Projects are Properly Closed Out

The University recognizes the need to close out projects as delineated in the Construction and Professional Services Manual (CPSM) and concurs with the finding that several have not been closed out within the twelve month timeline. University staff and management will follow best practices and close out current and future capital projects within twelve months of substantial completion, unless there is a clear and documented rationale in support of a delay.

Implement Financial Aid Disbursement Notifications

The University did provide award letters to each student at the start of the academic year detailing each award and the estimated loan amounts. The University did not use affirmative confirmation and therefore did not notify students within 7 days of disbursement crediting to the students' accounts, as required. The corrective action to ensure the notification will go out at the time of each disbursement has been completed and was in place for the summer term of the 2014-2015 academic year.

Improved the myVRS Navigator Reconciliation Process

The University was able to demonstrate a careful monthly PMIS/VNAV reconciliation process, however, we concur that the actual documentation of the reconciliation was not retained. The Benefits Administrator has begun to retain evidence of the actual reconciliation; such as the HuRMan report. The Benefits Administrator will consult with other agencies as to best practices of proper documentation and the reconciliation process. The reconciliation procedure will be reviewed in the future under ARMICS.

Improve IT Change Management Program

The UMW IT Department utilizes procedures, processes, and tools to minimize the risks associated with system changes. Principal among these is the process of regular change review meetings held by the IT Department's change management team. Every Monday, the team reviews proposed systems changes for the next two week cycle, and thoroughly vets the specifics of each request.

The review of proposed changes includes:

- Evaluating the level of staff testing, experience, and confidence related to the change
- Analyzing the dependencies between the changed system and other systems and operational processes
- Selecting the optimal time for executing the change, in order to minimize the operational impact of planned and unplanned downtime
- Defining a communication plan for affected internal and external stakeholders
- Establishing a rollback plan in the event the change does not go as expected

While this process has proven to be a very effective control for reducing the risks associated with system changes, we agree the current change management process can be improved to formalize its operation and improve alignment with SEC501-08 requirements. In addition, the department's change management procedures will be expanded to require baseline configuration documentation be updated after a significant change.

The IT department began evaluating alternatives to the current change management documentation systems during fiscal year 2015, with the goal of selecting a new system that can provide clear and centralized documentation of change management workflow, system changes, and outcomes. A new system will be implemented, by March 31, 2016.

If you have any questions or need additional information, please do not hesitate to contact me by phone at (540) 654-1301 or send an e-mail to rhurley@umw.edu.

Sincerely,



Richard V. Hurley
President

UNIVERSITY OFFICIALS

University Of Mary Washington
Fredericksburg, Virginia

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(As of June 30, 2014)

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